

Asian Markets

Monday, 14 January 2013

Line-Up For The Week Ahead

- China's data releases remain in the limelight this week.** The country's data dump this Fri morning include 4Q12 GDP, Dec industrial production, fixed asset investment and retail sales. Bloomberg consensus is expecting a rebound in GDP growth to 7.8% y/y in 4Q12 from 7.4% y/y in 3Q12. Dec exports data bode well for the growth outlook. For the remaining Dec data, investors are similarly looking for slight improvement from Nov.
- Other key regional data this week will include Singapore's Nov retail sales on Tue (mkt: -0.8% y/y vs Oct: -1.0% y/y) and the non-oil domestic export (NODX) on Thur which is likely to register a sharper decline of 7.6% y/y in Dec compared to 2.5% contraction in Nov.
- In Asia today,** there will not be any important data on schedule. Japan is on holiday today.

Forex

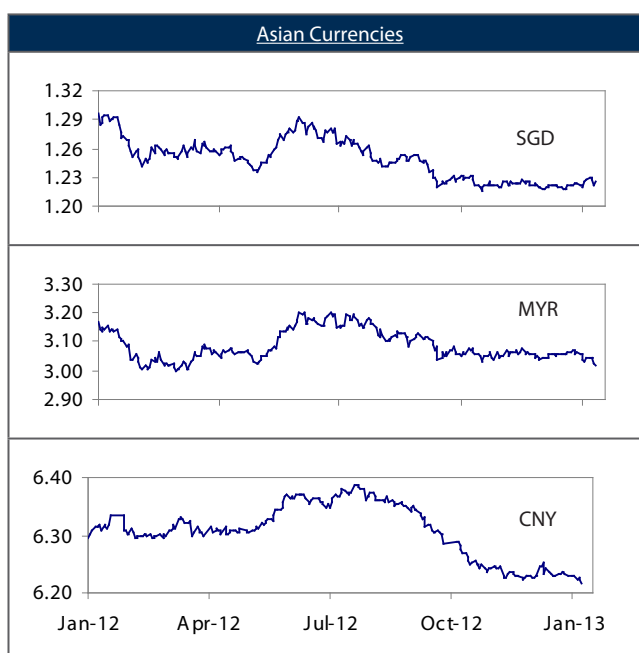
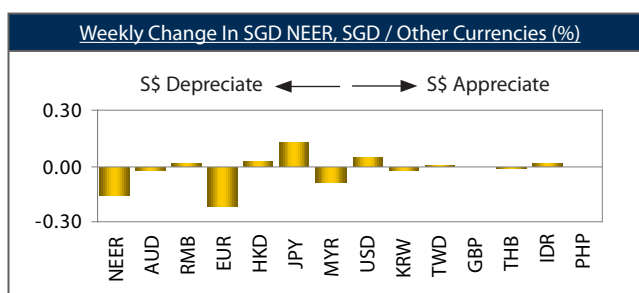
- Market was dominated by the sharp depreciation in the JPY last week.** Since the start of the year, JPY has dropped by 3.2% against USD, making it the worst performing currency in Asia.
- On Fri, Asian currencies were mostly firmer against USD.** KRW jumped to a fresh 17-month high against USD, ending at 1,054.75/USD compared to 1,060.40/USD on Thur after the Bank of Korea kept interest rate steady. TWD rose to 29.039/USD on Fri from 29.088/USD on Thur while MYR traded firmer to 3.0214/USD from 3.0310/USD late Thur. However, IDR remained stuck at 9,800/USD level.

SGD

- USD/SGD traded lower in a range of 1.2224-1.2264 on Fri compared to a high of 1.2291 on Thur. The pair has traded marginally higher this morning and this brought the SGD NEER closer to parity.** For SGD NEER within +/-0.5% from the mid-point, we expect a range of 1.2215-1.2340 for USD/SGD, based on current FX levels. Negative sentiment in the property sector could weigh on the domestic stocks market as well as the SGD today.

| Foreign Exchange Rates (as of 11 Jan 2013) | | | | | |
|--|-------------|------------|-----------|---------|--------|
| FX | Asian Close | Asian High | Asian Low | NY High | NY Low |
| SGD | 1.2249 | 1.2258 | 1.2224 | 1.2264 | 1.2233 |
| MYR | 3.0190 | 3.0230 | 3.0155 | - | - |
| IDR | 9630 | 9700 | 9629 | - | - |
| THB | 30.26 | 30.34 | 30.19 | - | - |
| PHP | 40.61 | 40.65 | 40.56 | - | - |
| TWD | 29.039 | 29.090 | 28.930 | - | - |
| KRW | 1054.75 | 1058.00 | 1054.75 | - | - |
| HKD | 7.7527 | 7.7530 | 7.7514 | - | - |
| CNY | 6.2156 | 6.2230 | 6.2129 | - | - |

| UOB's Estimation of SGD NEER (as of 14 Jan 2013) Assuming 2.0% on each side of the pivot point | |
|---|--------|
| Lower-End | 1.2526 |
| Upper-End | 1.2035 |
| Mid-Point | 1.2276 |



SGS

- **We could be looking at a positive correlation week with buybacks on UST and decent (hopefully) earnings out of banks.** SGS saw a block trade go through in the short end, as if FX plays are starting to dip their toes at these levels in the SGD basket. Should the trickle turn into a tide, we expect 2ys and below to be the main beneficiaries. The playbook here is straight-forward; sit tight until extreme yields at the low teens. With Japan out this morning, expect the usual quiet Monday trading session. Today we get the 3mths TBill auction. Previous week cut at 0.25%, no excitement here and we should still be getting the same since bills have never been favoured by FX flows.

RMB

- **RMB was guided firmer by strong central parity setting and the EUR strength on Fri.** The RMB hit its intraday record high of 6.2126/USD on Fri, after the PBoC set the fixing at 6.2712/USD vs 6.2793 on Thur. Spot RMB ended up 0.13% at 6.2161/USD on Fri compared to Thur close of 6.2244. Overall, RMB was up 0.24% since the start of the year. In the NDF market, 1Y RMB was at 6.2750/USD, pricing in 0.9% depreciation from the spot close on Fri. **With pressure from higher inflation, the PBoC could allow the currency to appreciate slightly more in the short-term. This morning, the central bank set the RMB central parity stronger at 6.2695/USD.**

Equities

- **Asian stock indexes ended mixed on Fri.** Nikkei rose 1.4% on the back of JPY pullback while rebound in the Dec inflation led the decline in the Chinese equity indexes on Fri. Hang Seng Index tracked weakness in the Chinese stocks to drop 0.4% while STI was down 0.3% on Fri. In Singapore, the sentiment will be cautious today after the 7th and most comprehensive set of property cooling measures announced by the government on Fri.

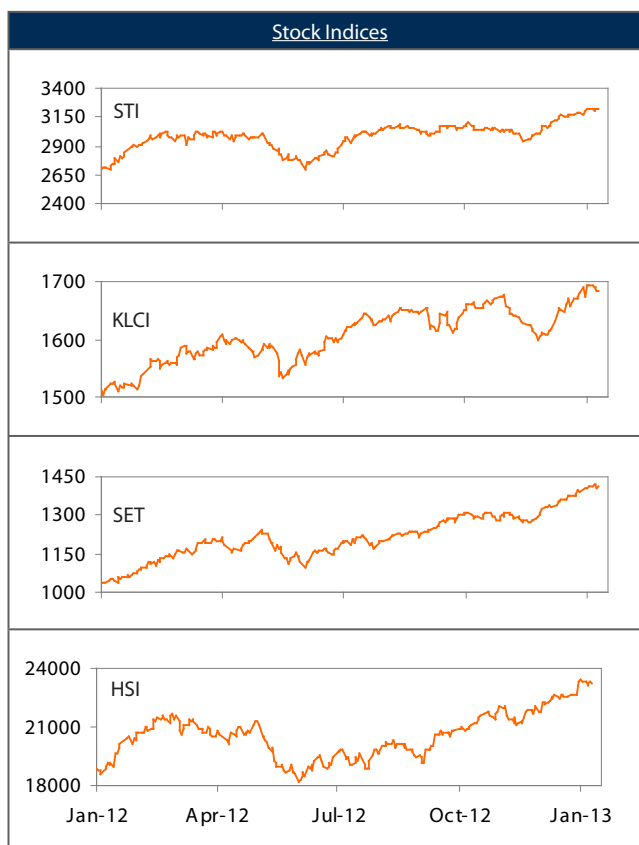
Economic News

- **China's headline inflation rose sharply to 2.5% y/y in Dec from 2.0% y/y in Nov** and is likely to remain firm in the next two months as Chinese New Year approaches. The rebound in inflation has introduced more difficulties in easing monetary policy. With reduced probability of monetary easing, the Shanghai CI plummeted by 1.8% on Fri. Earlier, investors were re-looking at the prospect of a reserve requirement ratio (RRR) in the coming months.
- **China's NDRC official** was quoted forecasting that growth in China would be 7.7% and 7.5% in 2012 and 2013 respectively.

| Market Holiday | Date | Event |
|----------------|-----------|-----------------------|
| MY / ID | 24 Jan | Birthday of Mohammed |
| MY | 27-28 Jan | Thaipusam Day |
| MY | 01 Feb | Federal Territory Day |

| Interest Rates | Current | Next CB Meet | UOB's Forecast |
|------------------------|---------|--------------|----------------|
| SGD 3-Mth SIBOR | 0.38% | - | - |
| MYR O/N Policy Rate | 3.00% | 31 Jan | 3.00% |
| IDR O/N Rate | 5.75% | 12 Feb | 5.75% |
| THB 1-Day Repo | 2.75% | 20 Feb | 2.75% |
| PHP O/N Reverse Repo | 3.50% | 24 Jan | 3.50% |
| TWD Discount Rate | 1.88% | 21 Mar | 1.88% |
| KRW Base Rate | 2.75% | 14 Feb | 2.75% |
| HKD Base Rate | 0.50% | - | 0.50% |
| CNY 1-Yr Wking Capital | 6.00% | - | 6.00% |

| Stock Indices (as of 11 Jan 2013) | Closing | % chg | ytd % chg |
|-----------------------------------|----------|-------|-----------|
| FTSE Straits Times Index | 3216.50 | -0.30 | +1.56 |
| FTSE Bursa Malaysia KLCI Index | 1682.70 | -0.11 | -0.37 |
| Jakarta SE Composite Index | 4305.91 | -0.27 | -0.25 |
| Thailand SET Index | 1412.06 | +0.43 | +1.45 |
| Philippines SE PSEi Index | 6051.75 | +0.55 | +4.11 |
| Taiwan SE Weighted Index | 7819.15 | +0.10 | +1.55 |
| Korea SE KOSPI Index | 1996.67 | -0.50 | -0.02 |
| Hong Kong Hang Seng Index | 23264.07 | -0.39 | +2.68 |
| Shanghai SE Composite Index | 2243.00 | -1.78 | -1.15 |
| India Sensex 30 Index | 19663.64 | - | +1.22 |



- **China's PBoC** said in a statement that it will push forward the introduction of a deposit insurance system, interest rate liberalization and expansion of cross-border RMB use, although no timetables were provided. It is also making preparations to launch a trial programme to allow individuals to invest in overseas financial markets.
- **Malaysia's opposition** held a massive rally with 45,000-100,000 people attending the event at Kuala Lumpur's Merdeka Stadium on Sat ahead of an election in the first half of this year.
- **The Singapore government announced its 7th and most comprehensive set of property cooling mea-**

asures after the market close on Fri. With effect from 12 Jan, Additional Buyer's Stamp Duty (ABSD) rates will be raised between 5-7% points across the board for PRs purchasing their first residential property and on Singaporeans purchasing their second residential property. Loan-to-Value limits on housing loans granted by financial institutions will be tightened for individuals who already have at least one outstanding loan, as well as to non-individuals such as companies. Besides tighter Loan-to-Value limits, the minimum cash down payment for individuals applying for a second or subsequent housing loan will also be raised from 10% to 25%. There are also tighter regulations on HDB flats, ECs, industrial properties and land.

| Economic Indicators | | | | | | |
|---------------------|------|------------------------------------|-------|--------|-----------------|----------|
| Date | Time | Indicators | Month | Actual | Market Forecast | Previous |
| 11 Jan | 0900 | KRW Base Rate | Jan | 2.75 | 2.75 | 2.75% |
| | 0930 | CN CPI y/y | Dec | 2.5 | 2.3 | 2.0% |
| | 0930 | CN PPI y/y | Dec | -1.9 | -1.8 | -2.2% |
| 15 Jan | 1300 | SG Retail Sales y/y | Nov | | -0.5 | -1.0% |
| | 1300 | SG Retail Sales Ex Auto y/y | Nov | | 2.9 | 1.3% |
| 17 Jan | 0830 | SG Non-oil Domestic Exports sa m/m | Dec | | 4.8 | -0.3% |
| | 0830 | SG Non-oil Domestic Exports y/y | Dec | | -8.1 | -2.5% |
| | 1630 | HK Composite Interest Rate | Dec | | - | 0.34% |
| | 1630 | HK Unemployment Rate sa | Dec | | 3.4 | 3.4% |
| 18 Jan | 1000 | CN Real GDP y/y | 4Q | | 7.8 | 7.4% |
| | 1000 | CN Real GDP q/q | 4Q | | 2.2 | 2.2% |
| | 1000 | CN Industrial Production y/y | Dec | | 10.2 | 10.1% |
| | 1000 | CN Retail Sales y/y | Dec | | 15.0 | 14.9% |
| | 1430 | TH Foreign Reserves | Jan | | - | - |

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